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C O N F I D E N T I A L ABU DHABI 001162

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DEPT FOR NEA/ARP, EEB/ESC/IEC/EPC

E.O. 12958: DECL: 07/12/2017
TAGS: [EPET](#) [ENRG](#) [EINV](#) [AE](#)
SUBJECT: UAE CONCERNS ABOUT "NOPEC" AND LAW SUITS

REF: STATE 88197

Classified By: Ambassador Michele J. Sison for reasons 1.4 (b & d).

11. (C) On July 10, Econchief met with Ministry of Energy Director of Economic Affairs Hamdan Al-Akbari to discuss NOPEC legislation and oil market issues. Econchief explained administration opposition to "NOPEC," but also stressed the context underlying Congressional consideration of the legislation. The context includes near-record petroleum prices, statements by key oil producers, and increasing demand growth without matching supply growth.

12. (C) Al-Akbari said that he thought that, although supply and demand were largely in balance, prices were too high. High oil prices increased inflationary pressures on the UAE economy. In addition, the UAE was a major international investor. Lower oil prices, he noted, would likely improve both markets and economies in consuming countries, from which the UAE would also benefit. Al-Akbari stated his view that geopolitical risks, speculation, and U.S. refinery constraints all contributed to high prices. Econchief noted U.S. U.S. Federal Trade Commission estimates that 85% of the variability in the cost of gasoline results from changes in the price of crude. Al-Akbari agreed with econchief's contention that oil producers' actions and statements could have an impact on the market and promised to convey that message to UAE Minister of Energy Al-Hamili. On July 11, Al-Hamili publicly stated that OPEC would be ready to raise production if necessary, though he also argued that the market was adequately supplied.

13. (C) Al-Akbari expressed his hope that "NOPEC" legislation would not pass and his concern that it would have a negative impact on OPEC investments in the U.S. as well as future energy cooperation. He noted current law suits against Aramco and the Venezuelan national oil company and asked whether the USG could or would intervene in the cases. Al-Akbari also noted that both consumers and producers shared a responsibility for dialogue. Although consuming nations worried about security of supply, producer nations worried about security of demand. It was expensive for producers to invest in increasing capacity, he noted. Producers might be reluctant to invest in capacity that would never be used. He conceded econchief's point that most analysts projected that oil and gas would likely remain a major source of energy for a considerable period of time.

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